

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION

Central Lakes College Energy Savings Contract

BACKGROUND

Central Lakes College is requesting approval to enter into a 15 year contract valued at \$2,111,631 with Energy Services Group (ESG) for the implementation of energy conservation projects at the Brainerd and Staples campuses. ESG was selected by Central Lakes College and the Minnesota Department of Administration through a Request for Proposals issued on August 5, 2005 to provide professional services to assess, design and implement energy conservation projects that will be self-funded through guaranteed savings over the term of the project. The cost of the project will be paid for through the resultant guaranteed annual energy savings of \$169,227 and operations and maintenance savings of \$26,386.

During the term of the agreement, Central Lakes College will realize significant economic benefits through the energy and operational savings generated. In addition, this project will generate additional environmental benefits including improved comfort for students, faculty, staff and visitors through enhanced temperature control, ventilation rates and lighting levels. Moreover, upgrades to the mechanical and electrical system infrastructure will eliminate some of the identified deferred maintenance at the campus facilities. The scope of the project includes:

Brainerd Campus:

- Installation of a new energy management system
- Installation of electronic direct digital controls
- Installation of variable speed drives
- Upgrades of the lighting systems
- Modifications to the hot water pumping system
- Installation of insulation on mechanical equipment and piping
- Implementation of miscellaneous operation and maintenance repairs

Staples Campus:

- Upgrades to the lighting systems
- Installation of insulation on mechanical equipment and piping
- Implementation of miscellaneous operation and maintenance repairs

The capital cost of the project will be financed through a 15 year tax-exempt lease at an annual interest rate of 4.29%. The annual principal and interest payment on the lease will be \$182,743 which will be covered by the generated annual energy and operational savings of \$195,613. As a result, Central Lakes College will realize positive cash flow from the improvements and will realize over \$155,000 of cumulative positive cash flow over the term of the project.

ESG, through oversight by the Department of Administration's Plant Management Division, will provide an annual reconciliation of the guaranteed savings and will be obligated to provide Central Lakes College with a shortfall check if the actual savings are less than the guaranteed savings. Any excess savings over the annually guaranteed savings will remain the property of Central Lakes College.

The 15 year tax-exempt lease purchase agreement for financing of the project will be with Citimortgage, Inc. The contract amount, including interest, is \$2,741,148.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance Committee recommends the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

The Board of Trustees approves Central Lakes College entering into 1) a 15 year contract valued at \$2,111,631 with Energy Services Group (ESG) for the implementation of energy conservation projects at the Brainerd and Staples campuses through a guaranteed savings program, and 2) a 15 year tax-exempt lease purchase agreement valued at \$2,741,148 with Citimortgage, Inc. to finance the project. The approval is contingent upon final review and approval of the contract documents by the Office of the Attorney General and the Office of the Chancellor.